



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR

Health Agency Animal Services Division Cash Procedures Review

May 2014

**JAMES P. ERB, CPA
Auditor-Controller
Treasurer-Tax Collector-Public Administrator**



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TO: JEFF HAMM, HEALTH AGENCY DIRECTOR

CC: ERIC ANDERSON, DVM, ANIMAL SERVICES MANAGER

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR *J.E.*

DATE: MAY 1, 2014

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF THE ANIMAL SERVICES DIVISION OF THE HEALTH AGENCY CONDUCTED ON NOVEMBER 6, 2013

Our office recently completed a cash procedures and internal control review of the Animal Services Division of the Health Agency that took place on November 6, 2013.

Purpose

The purpose of our review was to determine compliance with the County Auditor-Controller's Cash Handling Policy, to establish accountability for the cash on hand at the time of the review, and to determine compliance with the County Information Technology (IT) Acceptable Use Policy Acknowledgement signature requirements.

Scope

The scope of our review included cash and receipts on hand on November 6, 2013 as well as deposits for the prior month. Additionally, we reviewed the department's licensing fee bank account and Cal-Card activity. County IT Acceptable Use Policy Acknowledgements signed in the past calendar year were also sampled and examined.

Methodology

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The International Standards for the Professional Practice of Internal Auditing require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

Our review included physically counting all cash on hand for November 6, 2013 and reconciling the amount to the department's accountability figures. We examined cash receipts and compared the amounts to the corresponding receipts total and to the subsequent deposit. Our

review also included an evaluation of internal controls over cash receipts and Cal-Card activity. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally we tested for compliance with the County of San Luis Obispo Information Security Program's requirement that employees annually sign the Acceptable Use Policy Acknowledgement form.

Results

We determined all cash funds and cash receipts on hand, in all material respects, to be in balance at the time of our count, and employees signed the IT Acceptable Use Policy Acknowledgement form in a timely manner. The Division is in general compliance with the Cash Handling Policy.

During fieldwork we identified some areas where improvements could be made, and we provided the Division with suggestions for making these improvements. Suggestions for improvement are made for issues that the auditor considers not to be of an immediate serious nature and/or for issues which a department is able to correct at the time of the audit. Unlike formal audit findings, written departmental responses are not required for these issues. Our suggestions are detailed in the Suggested Improvements section below:

Suggested Improvements

1. Segregation of Bookkeeper Duties

We found that the Animal Services Division's bookkeeper's duties included opening and distributing the mail which includes payments for services and fees. The Auditor-Controller's Cash Handling Policy states that a responsible employee other than the cashier or bookkeeper must receive, open, and distribute mail. The weakness in internal controls was caused by an oversight in duty assignments. When one individual has control of more than one key aspect of a transaction the risk of error and opportunity for misappropriation significantly increases. Subsequent to the end of field work, the division notified us that the Administrative Services Officer now opens the mail, logs the payments, and gives the payments to a cashier to record.

2. Bank Reconciliation Methodology Incomplete

We found that Animal Services staff was appropriately reconciling the licensing fees bank account to monthly transactions; however, staff had not separately identified the components of the ending monthly bank balances. Best accounting practices require that the composition of the ending monthly bank balances be understood and adjusted as necessary. The risk of misappropriation of assets and material misstatement of accounting records increases when bank accounts are not thoroughly reconciled. Animal Services staff immediately began working with the Auditor-Controller EFS Operations division to complete the reconciliation and understand the composition of the current ending bank balance.

3. Bank Reconciliations Not Provided to the Auditor's Office

We determined that bank reconciliations for the licensing fees bank account were not being provided to the Auditor-Controller's office. The County Auditor-Controller's Cash Handling Policy requires departments to furnish a copy of the bank statement, the reconciliation, and the reconciliation review form to the Auditor-Controller by the 25th of the following month. Staff was unaware of the Cash Handling Policy requirement. Timely bank reconciliations reduce the risk of misappropriation and material misstatement of accounting records. Subsequent to the end of field work the staff of the Animal Services division started sending the monthly bank reconciliations the Auditor's Office, and the issue has been corrected.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.